

Message Text

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C O N F I D E N T I A L MOSCOW 4193

E.O. 11652 GDS

TAGS: BGEN, UR, US

SUBJECT: ISSUES WHICH SOVIETS MAY RAISE AT COMMERCIAL COMMISSION
MEETING--NON-TARIFF BARRIERS TO TRADE

USDOC FOR BEWT/DOWNEY

TREASURY FOR PARSKY

REF: MOSCOW 4108

1. IN CONSIDERING ISSUES WHICH SOVIETS MIGHT RAISE AT UPCOMING
MEETING OF JOINT COMMERCIAL COMMISSION, EMBASSY HAS IDENTIFIED
SEVERAL MATTERS WHICH IN WESTERN PARLANCE WOULD BE LUMPED UNDER
NON-TARIFF BARRIERS. SOVIETS MAY USE DIFFERENT TERMINOLOGY, BUT
SUBSTANCE IS UNCHANGED. THESE ISSUES ARE AS FOLLOWS:

A) SOVIETS HAVE POINTED OUT IN PAST CONVERSATION THAT LONG LEAD-
TIME REQUIRED FOR THEM TO BUILD U.S. MARKET FOR SELECTED MANUFAC-
TURES MEANS THAT EVENTUAL GRANTING OF MFN FOR LESS THAN THREE-
YEAR SPAN COULD CONSITITUE OBSTACLE TO EXPANSION OF BILATERAL
TRADE. WITH CERTAIN EXCEPTIONS (V/O EXPORTKHLEB, FOR EXAMPLE), IN
OUR EXPERIENCE SOVIET FTO'S ARE NOT FAST-MOVING OPERATIONS, AND
THE PLANNING PROCESS UNQUESTIONABLY TENDS TO LIMIT FLEXIBILITY AND
RESPONSIVENESS TO WESTERN MARKET DEVELOPEMENYS STILL FURTHER.

B) SOVIETS BELIEVE THAT THEIR SALES OF INDUSTRIAL MACHINERY AND
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EQUIPMENT TO U.S. ARE HAMPERED BY RESIDUAL ANTI-SOVIET FEELING.

THEIR EXPERIENCE WITH BIDDING ON EQUIPMENT FOR ROCK ISLAND (WASHINGTON) HYDRO-POWER PROJECT TENDED TO CONFIRM THEM IN THIS VIEW, AS HAS THEIR GENERALLY-DISAPPOINTING EXPERIENCE IN FINDING U.S. COMPANY PREPARED TO ASSIST THEM IN MARKETING YAK-40. THEY MAY RAISE THIS PROBLEM WITH IMPLICATION THAT USG AGENCIES SHOULD HELP OVERCOME ANY PSYCHOLOGICAL BARRIERS TO SALES OF SOVIET GOODS.

C) ALTHOUGH SOVIETS CLAIM THAT THEY ARE MOVING AHEAD WITH PLANS TO SELL THEIR VERSION OF FIAT-124 IN U.S., AND SATRA IS PRESUMABLY ARRANGING TO HAVE DOT TEST SAMPLE VEHICLES, EMBASSY FRANKLY QUESTIONS WHETHER THEY HAVE COME TO GRIPS WITH U.S. EMISSION AND SAFETY STANDARDS AND COST OF ADAPTING THEIR VEHICLES TO MEET THESE STANDARDS. SHOULD THEY NOT BE ENTIRELY AWARE OF U.S. REQUIREMENTS IN THIS AREA, THEY MAY BE QUITE DISAPPOINTED WHEN THEY ARE GIVEN FULL PICTURE;

D) RECENT CHANGES INTRODUCED BY BUREAU OF ALCOHOL, FIREARMS AND TOBACCO ON STANDARDS OF FILL/BOTTLE SIZES FOR WINES AND SPIRITS PRESENT PROBLEMS FOR SOVIETS, WHO REGARD U.S. MARKET AS VERY PROMISING. WHEN APPRISED OF THESE REQUIREMENTS AS WELL AS PROPOSED CHANGES IN LABELLING REQUIREMENTS FOR WINES AND SPIRITS, SOYUZPLODOIMPORT OFFICIALS APPEARED GENUINELY CONCERNED THAT ADDITIONAL COSTS INVOLVED COULD MAKE U.S. MARKET UNATTRACTIVE FOR THEM.

E.) U.S. REQUIREMENT THAT SOVIETS AGREE TO PURCHASE SUBSTANTIAL QUANTITY OF WIDE-BODIED AIRCRAFT BEFORE CONCLUSION OF AIRWORTHINESS AGREEMENT DID NOT GO DOWN TOO WELL WITH SOVIETS, AND IT MIGHT BE RAISED IN THIS CONTEXT.
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